

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

IN RE:)	CHAPTER 11
)	
W. R. GRACE & CO., <u>ET AL.</u> ,)	CASE NO. 01-01139 (JKF)
)	
DEBTORS.)	JOINTLY ADMINISTERED

**AFFIDAVIT OF W. BRIAN MCGOWAN IN SUPPORT OF
THE DEBTORS' MOTION FOR AN ORDER AUTHORIZING, BUT NOT REQUIRING,
THE DEBTORS TO MAKE CONTRIBUTIONS INTO THE TRUST FUNDING
THE DEFINED BENEFIT PLANS COVERING DEBTORS' EMPLOYEES**

1. I am senior vice president of W. R. Grace & Co., a corporation organized under the laws of the State of Delaware, one of the above-captioned debtors and debtors in possession (collectively, the "Debtors") in this proceeding. I offer this affidavit in support of the Debtors' Motion for an Order Authorizing, but not Requiring, the Debtors to Make Contributions into the Trust Funding the Defined Benefit Plans Covering Debtors' Employees.

2. The actuary of the Grace Retirement Plans (the "Grace Actuary") has provided estimates that the Debtors will be required to contribute approximately \$0.5 Million in 2003 and approximately \$81.1 Million in 2004 to comply with the minimum funding requirements under the Internal Revenue Code.

3. The Grace Actuary has also determined that the Debtors will be obligated, pursuant to ERISA, to inform the participants in the Grace Salaried Plan and several other Grace Retirement Plans in writing that their Plan is underfunded for the 2004 plan year, unless the Debtors make a minimum contribution of approximately \$16.0 Million prior to September 15, 2003. This notice of underfunding of the plans would be sent to approximately 2,500 (or 75%) of the Debtors active employees.

4. The Grace Actuary has also determined that, if the Debtors make such minimum contribution of approximately \$16.0 Million in 2003, in order to avoid the requirement to provide the Underfunding Notice for the 2005 plan year, the Debtors would need to make a minimum contribution totaling approximately \$63.4 million prior to September 15, 2004.

5. In evaluating options with respect to funding the Grace Retirement Plans, the Debtors have determined that: (a) the morale of the Debtors' employees is adversely affected by the current financial status of the Grace Retirement Plans and not addressing these employee concerns will lead to further erosion of morale and productivity and thereby have a negative impact on the Debtors' ability to successfully reorganize, (b) merely satisfying the Minimum Funding Requirements on an ongoing basis will not alleviate the employees' concerns, and (c) providing the Underfunding Notice to Grace Retirement Plan participants would heighten employees concerns regarding the financial status of the Grace Retirement Plans, as well as the financial situation of the Debtors.

6. The Debtors have determined that merely satisfying the Minimum Funding Requirements each year would not address the concerns of employees because no significant contributions would be made to the Grace Retirement Plans for at least 1 year from today.

7. The implementation of the 2003-04 Funding Strategy is key to maintaining a dedicated, motivated and loyal workforce in the Debtors' business judgment.

8. The Debtors have determined that a funding strategy that results in level annual contributions would be a better cash flow management strategy than an approach whereby contributions would vary widely from year to year.

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9. The Debtors have determined that a funding strategy should provide the ability to make adjustments in future years through periodic reevaluation.

10. Given the current status of the Chapter 11 Cases, the Debtors' management believes that it will be difficult to maintain employee morale and loyalty if it does not continue to meet the Minimum Funding Requirements and avoid the requirement to send the Underfunding Notice.

11. The employees' morale, continued loyalty to the Debtors and faith in the Debtors' management will be furthered by implementing the 2003-04 Funding Strategy because it clearly signals the Debtors' commitment to continuing to profitably grow their businesses for the benefit of the Debtors' stakeholders, including their employees.

12. The Debtors' management have determined that implementing the 2003-04 Funding Strategy in a timely manner is in the best interests of the Debtors' estates and creditors.

13. Continuing accruals under the Grace Retirement Plans and addressing the underfunded status of those Plans is vital to maintaining a focused and motivated US workforce.

AFFIANT FURTHER SAYETH NOT

Dated this 23rd day of June, 2003.

W Brian McGowan

W. Brian McGowan

SUBSCRIBED AND SWORN TO BEFORE ME

this 23rd day of June, 2003.

Janet L. Davis

Notary Public

My Commission Expires: 9-1-06

